




Strategy Formulation and Performance of Saccos A Lyamujungu Sacco In Kabale District South Western Uganda

¹ Agaba Moses and ²Turyasingura John Bosco

^{1,2} Faculty of Economics and Management Science, Kabale University, Kabale, Uganda
agabamosez@yahoo.com (Agaba Moses)

 <https://doi.org/10.54099/aijb.v2i2.647>

ARTICLE INFO

Research Paper

Article history:

Received: 30 May 2023

Revised: 10 June 2023

Accepted: 20 July 2023

Keywords.: Strategic Formulation
Management, Performance and
SACCO, Uganda

ABSTRACT

The purpose of the study was to determine how strategic formulation affected Lyamujungu SACCO's organizational performance. A correctional sectional research design was used for the investigation. The study was able to analyze the link between the study variables since it used both quantitative and qualitative methodologies. Simple random selection and purposive sampling methods were used to choose a sample of 105 respondents. Using thematic analysis and SPSS Version 21.0, the respondents' quantitative and qualitative data were examined. Based on the study's objectives, quantitative findings in the form of descriptive statistics, correlations, and regressions were provided in tables. The study discovered that the development of a plan had a substantial positive association with SACCO organizational performance ($r = .785$, $P .01$). With these results, the study makes a contribution by channeling the currently fervent conversation surrounding concerns of strategic formulation and organizational performance in Lyamujungu SACCO by offering empirical evidence that has been mostly absent. The study advises management to collaborate with Board members and all other stakeholders to implement the resolutions of both the Board meeting and the Annual General Meeting in order for Lyamujungu SACCO to develop effective strategies.

This work is licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.

INTRODUCTION

The development of a strategy is a key predictor of SACCO performance (Ogweno, & Bula, 2023). The use of functional strategies and the exploitation of broad guidelines in decision making were the most often employed features of strategy formulation in the investigated SACCOs (Moses, et al, 2023). The financial intermediary services have significantly evolved during the past twelve years, particularly with the creation of the global regulating authority for SACCOS. In order to meet the members' present and future demands for returns and resource security, as well as to ensure that the SACCOs survive the fierce competition from the mainstream and financially established banks, the managers of these SACCOs must devote time and expertise to this task (Moses, & Turyasingura, 2022). Setting objectives and choosing the best course of action to attain them is the process of formulating a strategy. To plan for success and adjust workplace strategies as necessary, an

organization employs strategy formulation. Setting goals and determining their viability need the design of strategies. An organization often teaches its employees after developing strategies so they are aware of the organization's purpose and the workplace's aims and goals (Mlay et al 2022). The process of investigating one's internal and external environments and incorporating the findings into goals and strategies is known as strategy formulation (Adulu, & Njuguna,2020). The majority of SACCOs operate as a network of connected departments, where each action has an impact on the actions and outcomes in other network regions. The emphasis of this drive is on performance and the growing demand for openness (Ontita, & Kinyua,2020 (Iskamto, 2020, 2022, 2023; Lesmana et al., 2022)). However, majority of SACCOs have failed to put greater emphasis on strategy formulation which has harmed their success. The purpose of the study was to examine the effect of strategy formulation on the performance of SACCOs in Uganda Case study of Lyamujungu SACCO.

Literature Review

Examining the internal and external environments and merging the findings into goals and strategies is the process of formulation of strategy. The majority of SACCOs operate as a network of connected departments, where each action has an impact on the actions and outcomes in other network locations. Performance and the growing need for openness are at the heart of this movement. Examining how strategy design affects performance is the main objective of this study.

Aldhaferi, et al, (2020) assessed the effects of strategy formation on learning and growth in the context of the UAE's public sector. To create a reliable study, the researchers used a quantitative research methodology. As a result, a questionnaire was created and utilized to elicit responses from respondents regarding the effect of strategy formation on the performance of the UAE public sector. The necessary quantitative data were collected using a non-probability sampling mechanism. According to the study, strategy formulation significantly and favorably affected performance and accounted for 19.3% of the difference. The goal of the current study is to determine whether the SACCOs have missions that include strategic positioning, values, and responsibilities as justifications for their existence as they build their strategies to achieve their set goals and objectives. The formal phase of long-term plans that would successfully manage environmental opportunities and dangers based on a SACCO 's strengths and constraints is often strategy formulation (Lenkume, 2019).

Formulating a strategy helps SACCOs develop and maintain performance, which improves their ability to maintain their foundation in a dynamic environment with many variables, especially in the near term (Langat, & Wainaina,2019). According to Mwita, (2019). administrators play a crucial role in the creation of dynamic, helpful policies that have a limited future but are authoritative in achieving long-term goals. Companies carefully develop their strategies to help them win extra desirable market positions. Anichebe and Agu (2013) also studied how strategy development affects how policies are carried out in commercial governments in Nigeria's Enugu State. The degree of submission and viability of declared plans in the chosen universities were examined as part of the test. Even though this research was carried out in Nigeria, its results might not directly apply to the situation with the Lyamujungu SACCO in Kabale District -Uganda.

Materials and Methods

Research Design

The cross-sectional survey research methodology used for this study combined quantitative and qualitative techniques. A qualitative approach helps in comprehending and exploring the depth, richness, and complexity inherent in the phenomenon under investigation, whereas a quantitative approach helps in describing the current situation and looking into cause-and-effect relationships between the study variables (Turyasingura & Agaba, 2023). The qualitative strategy allowed the researcher to gain in-depth explanations on the impact of strategy formulation on the performance of Lyamujungu SACCOs in Kabale District Uganda, whilst the quantitative method sought to quantify and establish the links.

Sample size and procedure

Agaba, et al, (2023), a sample is a small group of the universe taken as the representative of the whole population. The study sampled 105 respondents by Krejcie and Morgan (1970) sampling estimations in a table 1.

Table 1: Showing Population, Sample and Sampling techniques

Category	Population	Sample size	Sampling techniques
Top level management	10	10	Purposive sampling
Middle level management	40	36	Simple random sampling
Lower-level management	70	59	Simple random sampling
Total	120	105	

Source: (Bank of Africa, Human resource Audit report 2018)

Quality Control (Validity and Reliability)

Validity

Validity is the degree to which data analysis findings are consistent with the phenomenon being studied Turyasingura *et.al*, (2022). The researcher created the study methodologies by consulting with many SACCOs (Strategy formulation) specialists (Kinyuira,2020). Pre-testing the research tool enables the discovery and elimination of flaws including unclear or perplexing questions, questions with insufficient room for replies, crowded questions, and questions with the incorrect question numbers (Agaba and Emenike,2018) The content validity index (CVI) was created by adding the proportion of valid items from each judge divided by the total number of items after consulting with the four experts in microfinance and having four judges evaluate the items for each instrument.

Thus,
$$CVI = \frac{\text{Number of items rated relevant by expert}}{\text{Total number of items in the instrument}}$$

Summary of the reliability statistics

Judge 1. = $30/35=0.857$

Judge 2. = $32/35= 0.914$

Judge 3. = $33/35= 0.942$

Judge 4. = $29/35=0.828$

Therefore $0.857+0.914+0.942+0.828=3.541/4=0.885$

These findings suggested that the study tools employed to collect data on the strategy formulation of organizational performance in Uganda in the example of Lyamugungu SACCO were legitimate. According to Oleng,(2021), the average content validity index (CVI) number of items certified valid divided by the total number of items must be at least 0.7 for instruments to be acknowledged as legitimate. The instruments were legitimate because the CVI value was greater than 90% (Amin, 2005).

Reliability

Reliability evaluations look at how consistently the measuring tools give results when the same populations of people are repeatedly measured under the same circumstances Messabia, *et. al*, (2022) and also Turyasingura *et. al*, (2022) also supports the view. A pilot study with respondents who were purposefully and simply chosen at random from the target area is also used to test the validity of the research tools. The respondents were asked to review the questionnaire for the following qualities: question design, language, clarity, and thoroughness. Cronbach's Alpha coefficient was used to further prove the instruments' dependability Kiconco *et. al*,(2023). The results are 0.76 on a Statistic Package for Social Scientists (SPSS) scale, which shows that the tools are more accurate and useful. , ,

Table 2. Reliability statistics

Variable	Cronbach's alpha	Number of items
Strategy Corporate-Level	0.901	22
Strategy implementation	0.978	22
Functional Strategy	0.852	22
Performance of SACCO	0.967	22
. Total	3.698	
Average	3.698/4=0.924	

Source: Field Data 2022

Therefore, it is inferred that there is a high level of confidence in the dependability of the entire scale if individual components are significantly connected to one another. Cronbach's alpha (5) provides the following standards: "> 0.5 - Poor, > 0.6 - Questionable, > 0.7 - Acceptable, > 0.8 - Excellent, and > 0.5 - Unacceptable"

Data Management and processing

The steps of descriptive, bivariate, and multivariate data analysis were finished. Tables, were produced as a result of the descriptive analysis. In a bivariate study, the associations between categorical factors and the dependent variable, as well as those between independent variables, were calculated using the Pearson rank correlation. Once more, cross tabulations were employed to demonstrate the relationships between the variables.

Multivariate analysis

At this stage after the model was created, only independent variables that at the bivariate stage shown a significant association with the dependent variable were incorporated. To put it another way, only variables that were significant at the bivariate stage were regressed at the multivariate level. The following equation displays the multivariate model.: $SP = \beta_0 + \beta_1 SC + \beta_2 SI + \beta_3 FS + \varepsilon$

Where, $SP = \beta_0 + \beta_1 SC + \beta_2 SI + \beta_3 FS +$

$SP = \beta_0 + \beta_1 SD + \beta_2 SI + \beta_3 SC + e$

Where

$SP =$ SACCO performance

$SC =$ Strategic corporate level

SI = Strategy Implementation

FS = Functional Strategy

ε = Error term

β_1 , β_2 , and β_3 are the partial coefficients which explain how each of the independent variables (strategy corporate-level, strategy implementation and functional strategy) impact on the performance SACCOs.

RESULTS

Descriptive statistics for strategic management on organizational performance Lyamujungu of SACCOs in Kabale district.

The study's initial goal was to determine the impact of strategy formulation on Lyamujungu SACCO's performance. The information needed for this was gathered from secondary sources (documented work) and primary sources (personnel). A questionnaire with five scales—strongly Agree (SA), Agree (A), Undecided (UD), Disagree (D), and Strongly Disagree (SD)—was used for this. The table below provides a summary of the responses.

Table 3. Analysis on the nine statements that were subjected to the respondents.

Key: Strongly Agree (SA) 5, (Agree (A) (4), Undecided (UD) 3, Disagree (D) 2 and Strongly Disagree (SD) 1

Response	Agree		Undecided		Disagree		MEAN	SD
	F	%	F	%	F	%		
I have been working with Lyamujungu SACCO	105	100	00	00	00	00	4.5071	61745
I am well conversant with the vision of the SACCO	82	78.1	23	21.9	00	00	4.3643	62572
I am very aware of how the mission has impacted the bank's performance.	95	90.5	00	00	10	9.5	4.5286	49665
The Bank's Vision has attracted a lot of clients.	100	95.2	00	00	5	4.8	4.4286	49665
I am aware that the bank's mission has enhanced organizational effectiveness.	90	85.7	00	00	15	14.3	4.4286	49665
Because the bank's objective has been clarified, organizational performance has improved.	86	81.9	9	8.6	10	9.5	4.4286	49665

I am aware that the bank exists to raise performance.	79	75.2	00	00	26	24.8	4.4286	49665
---	----	------	----	----	----	------	--------	-------

Source: Field data 2023

Table 3 above provides assessments of the seven statements given to respondents in order to gauge how effectively a strategy was formulated at Lyamujungu SACCO in the Kabale District of Uganda. The following explanations are provided for the descriptive statistics in the above table:

When asked if they have ever worked for Lyamujungu SACCO, all respondents said that they had, with a mean response of 4.5071 and a standard deviation of 61745. When asked if they were familiar with the SACCO's vision, respondents gave a mean score of 4.3643 and a standard deviation of 62572, indicating that 78.1% of them agreed with the statement and 21.9% were unsure. Respondents were questioned about their awareness of the mission's effects on the bank's performance. 9.5% of respondents were unsure, with a mean of 4.5286 and a standard deviation of 49665, leaving 90.5% of respondents in agreement with the statement. When asked if the Bank's vision had attracted a lot of clients, 95.2% of respondents said it had, with 4.8% disagreeing. The mean response was 4.4286, and the standard deviation was 49665. During data collection, respondents were asked if they knew that the bank's goal has improved organizational effectiveness. Of those polled, 85.7% agreed with the statement, leaving 14.3% in disagreement. The mean response was 4.4286, and the standard deviation was 49665. When asked if organizational performance has improved as a result of the bank's aim being stated, respondents overwhelmingly agreed with the statement (81.9%) during data collecting. 8.6% of respondents were undecided, leaving 9.5% in disagreement, with a mean of 4.4286 and a standard deviation of 49665. The question of whether respondents are aware that the bank exists to improve performance was asked to them last. During data collection, 75.2% of respondents agreed with the statement, leaving 24.8% in disagreement, with a mean of 4.4286 and a standard deviation of 49665.

To find out if there was strategy formation, the study asked the respondents to reply to seven statements. Given that all respondents agreed with the statements that were chosen to measure strategy formulation, the responses' nature and the descriptive statistics presented above suggest that there is strategy formulation. Following the study of quantitative data, qualitative analysis of qualitative data derived from key informant interviews was carried out. The qualitative findings about strategy formulation are shown below.

Key informants noted that;

“If the performance is to be achieved, strategy formulation is a logical process of selection of the best appropriate course of action required to meet Lyamujungu SACCO's goals and aspirations. This is a step in the process of formulating a strategy and helps the Lyamujungu SACCO build operational strategies so that it can continue operating in the dynamic commercial environment that has enabled it to succeed...”

Respondents remarked that;

“The development of a strategic plan has aided our managers in reaching the goals and objectives of the SACCO, which has drawn in a lot of customers. Lyamujungu SACCO needs to keep concentrating on their strategy in order to expand the institutional arrangement through which the stated goals will be accomplished, hence boosting organizational performance, in order to achieve the agreed goals.”

Most of the paradigms for formulating a strategy (vision, mission, purpose, and need) show that the Lyamujungu SACCO has a more effective method. The study confirmed that there was a

relationship between quantitative and qualitative findings after doing a qualitative data analysis. The two data sets agreed, and it was evident that qualitative data supported quantitative data.

Hypothesis testing

To be able to generalize the results from the population samples, the study put the putative hypotheses to the test. Statistical inference was used to accomplish this. In order to determine whether there was a relationship between the independent and dependent variables, its strength and direction, to create a relationship model, and to test the two hypotheses, correlation and regression analyses were carried out.

The Pearson's product moment correlation coefficient was thus utilized to establish the magnitude of the association as indicated on the table below in order to prove the alternative hypothesis that Strategy formulation positively affects organizational performance at Lyamujungu SACCO.

Table 4. Correlation analysis for strategy formulation.

		Organizational Performance	Strategy Formulation
Organizational Performance	Pearson Correlation	1	.785**
	Sig. (2-tailed)		.000
	N	105	105
Strategy Formulation	Pearson Correlation	.785**	
	Sig. (2-tailed)	.000	
	N	105	105

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary Data 2023

A correlation coefficient is displayed in Table 4 above. Strategy Formulation has a positive link with organizational performance at Lyamujungu SACCO , as indicated by the value of 0.785. Thus, a regression analysis was conducted to assess the strength of the relationship between strategy formulation rates and organizational performance, i.e., the extent to which the independent variable's variation would influence the dependent variable.

Table 5. showing the model summary of strategy formulation positively affects organizational performance at Ryamujungu SACCO

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.785 ^a	.725	.724	.15216

a. Predictors: (Constant), strategy formulation

The correlation coefficient .725 suggests that the Lyamujungu SACCO's organizational performance is influenced by the strategy creation process. There is, thus, a strong positive link. This indicates that

Lyamujungu SACCO's organizational performance is stronger the more strategies are developed. Therefore, the creation of a strategy has a 96.2% positive impact on the functioning of Lyamujungu SACCO in Kabale District.

Table 6: Regression output summary on, strategy formulation and organizational performance at Bank of Africa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.385	.134		2.882	.005
1 Strategy formulation	.921	.030	.725	30.953	.000

a. Dependent Variable: Organizational Performance

Source. Field data 2023.

The outcome again showed a regression coefficient of 725 at a 0.01 level of significance, indicating a significant difference in favor. With a Beta value of 0.725 at a 95% level of confidence, the results further demonstrate that strategy formulation has an impact on organizational performance at Lyamujungu SACCO in Kabale District. As a result, the alternate hypothesis put forth by the researcher is that "Strategy formulation has a significant effect on Performance of Lyamujungu SACCO in Kabale District.

Discussion Of Findings

According to study results, Lyamujungu SACCO's performance in the Kabale District is favorably impacted by strategic management ($r = .725$, $P .01$). this in line with Aldhaeri, et al, (2020) assessed the effects of strategy formation on learning and growth in the context of the UAE's public sector. To create a reliable study, the researchers used a quantitative research methodology. As a result, a questionnaire was created and utilized to elicit responses from respondents regarding the effect of strategy formation on the performance of the UAE public sector. The necessary quantitative data were collected using a non-probability sampling mechanism. According to the study, strategy formulation significantly and favorably affected performance and accounted for 19.3% of the difference. The goal of the current study is to determine whether the SACCOs have missions that include strategic positioning, values, and responsibilities as justifications for their existence as they build their strategies to achieve their set goals and objectives. The formal phase of long-term plans that would successfully manage environmental opportunities and dangers based on a SACCO 's strengths and constraints is often strategy formulation (Lenkume, 2019).

Formulating a strategy helps SACCOs develop and maintain performance, which improves their ability to maintain their foundation in a dynamic environment with many variables, especially in the near term (Langat, & Wainaina, 2019). According to Mwita, (2019). administrators play a crucial role in the creation of dynamic, helpful policies that have a limited future but are authoritative in achieving long-term goals. Companies carefully develop their strategies to help them win extra desirable market positions. Anichebe and Agu (2013) also studied how strategy development affects how policies are carried out in commercial governments in Nigeria's Enugu State. The degree of submission and viability of declared plans in the chosen universities were examined as part of the test. Even though this research was carried out in Nigeria, its results might not directly apply to the situation with the Lyamujungu SACCO in Kabale District -Uganda.

CONCLUSION

It is clear from the findings and discussion above that strategy formulation at Lyamujungu SACCO significantly predicts organizational performance. This demonstrates the importance of management and staff contributing to the design of Lyamujungu SACCO's strategy, namely its vision, mission, and purpose, as well as the necessity to assist Lyamujungu SACCO in achieving those goals and objectives.

Recommendations

Both the Board of Directors and management at Lyamujungu SACCO should prioritize strategy formulation for efficient strategic management. This will enable them to own the strategic plan, which will improve the performance of Lyamujungu SACCO in Kabale District-Uganda

References

- Adulu, NF, & Njuguna, KR (2020). Strategic Planning Process And Competitive Positioning Of Deposit Taking Saccos In Nairobi City County, KENYA.
- Agaba M, Turyasingura, J, & David, K Jesse (2023). Lending appraisal and performance of SACCOS in Rukiga district, Uganda, *African Journal of Business Management* 17 (2), 23-31
- Agaba. M. and Emenike K. (2018). Product Innovation, Price Level And Competitive Advantage: A Perception Assessment Of Beer Products; *Journal of management and enterpreneuriship*; vol.6, 2018
- Aldhaheri, F., Ameen, A., & Isaac, O. (2020). The Influence of Strategy Formulation (Vision, Mission, and Goals) on the Organizational Operations. *Journal of Critical Reviews*, 7(17).
- Amin, M.E. (2005) *Social Science Research: Conception, Methodology and Analysis*. Makerere University Press, Kampala.
- Guyo, HA (2020). Strategic planning process and competitive positioning of deposit-taking SACCOs in Marsabit County, Kenya.,
- Iskamto, D. (2020). *The Role of Leadership and Influence on Employee Performance in Digital Era. Jurnal Manajemen Bisnis*, 17(4), 470–484.
- Iskamto, D. (2022). *Analysis of The Impact of Competence on Performance: An Investigative In Educational Institutions. Asean International Journal of Business*, 1(1), 68–76. <https://doi.org/10.54099/aijb.v1i1.74>
- Iskamto, D. (2023). *Organizational Culture and Its Impact on Employee Performance. International Journal of Management and Digital Business*, 2(1), Article 1. <https://doi.org/10.54099/ijmdb.v2i1.584>
- Kiconco .P, Agaba .M, Turyasingura J.B, Kabagambe J.D. (2023). Internal Controls' Impact on Sacco Performance In Uganda: A Case Study of Rukiga Sacco, *International Journal of Management and Business Applied*, Vol.2, No.1, 2023e-ISSN: 2827-9840pp. 50-62, <https://doi.org/10.54099/ijmba.v2i1.529>
- Kinyuira, DK (2020). Influence of Enterprise Strategy on Performance of Deposit Taking Savings and Credit Cooperatives in Kenya.,
- Krishnair's (2003). Towards Methodological Best Practice in Project performance Measuring. *Business Management Journal*.
- Kyalikoba R, (2015). Administrative- Management functions and the Performance of medical teams International in Nakivale Refugee settlement- Uganda. UMI, Kampala.

- Lambert E.G, Horgan, N.L & Barton, S.M (2011). The impact of job satisfaction on turnover. a test of structural measurement model using a national sample of workers.' *In the social sciences journal, April, v 38, i2,pp. 233 – 43*
- Langat, MK, & Wainaina, L (2019). Strategic management practices and organization performance of deposit taking sacco in Kericho County. *Journal of Strategic Management*, ajpojournals.org
- Lenkume, JN (2019). Strategic Leadership and Organisational Performance Of Saccos In Kenya., *Lesmana, R., Sunardi, N., & Science, K. (2022). The ICE Power Concept as Food Security Strategies at Cihambulu, Pabuaran, Subang, Jawa Barat: Food Strategy Analisis. Adpebi Science Series, Proceedings of Adpebi International Conference on Management, Education, Social Science, Economics and Technology (AICMEST), 1(1), Article 1. <https://series.adpebi.com/index.php/AICMEST/article/view/5>*
- Mlay, LS, Temu, SS, & Mataba, L (2022). Influence of board attributes on board roles performance in Savings and Credit Co-operative Societies (SACCOS) in Tanzania. *Business management review*, 196.44.162.39
- Mwita, KM (2019). Training & information) in Tanzania savings and credit co-operative societies (SACCOS): Experience from Moshi rural teachers' SACCOS and Wazalendo SACCOS.
- Ogwen, WO, & Bula, HO (2023). Strategic formulation and performance of deposit taking savings and credit co-operative society in Nairobi City County, Kenya
- Olung, J (2021). Influence Of Strategic Responses To Covid-19 Pandemic on Firm's Performance: A Case of Deposit Taking Saccos in Nairobi County, Kenya.,
- Ontita, J, & Kinyua, GM (2020). Role of Stakeholder Management on Firm Performance: An Empirical Analysis of Commercial Banks in Nairobi City County, Kenya.
- Turyasingura J B , Agaba .M(2023) Effect of Corporate Governance on Performance of SACCOS in Rubanda District South Western Uganda, *International Journal of Current Science Research and Review*, ISSN: 2581-8341 Volume 06 Issue 01 January 2023 DOI: 10.47191/ijcsrr/V6-i1-76,
- Turyasingura JB, Agaba M, Orach-Meza FI, Zombire R, Kyabarongo B. (2022), Resourcing and the sustainability of Donor funded Potatoes Projects in Kabale District, South western Uganda. *Special Journal of Politics and Economic Sustainability*, , ISSN: 2710-186X): 2(2, 1-17
- Turyasingura JB, Agaba M, Orach-Meza FI, Zombire R, Kyabarongo B. (2022), Resourcing and the sustainability of Donor funded Potatoes Projects in Kabale District, Southwestern Uganda. *Special Journal of Politics and Economic Sustainability*, , ISSN: 2710-186X): 2(2, 1-17